

SOUTHERN UNION COMPANY
Cost of Capital

AHT, DTE-1-06
Schedule 1

Description	Amount	Capitalization Ratio	Cost Rate	Weighted Cost
Long term debt	1,927,544,000	46.38%	6.288%	2.916%
Preferred securities	223,300,000	5.37%	7.777%	0.418%
Equity Units	225,000,000	5.41%	5.417%	0.293%
Common equity	1,780,200,000	42.83%	11.500%	4.926%
Total	<u>4,156,044,000</u>	<u>100.00%</u>		<u>8.553%</u>

Description	Outstanding Dec. 31, 2005	Ann Int Rate	Annual Interest
7.6% Senior notes	359,765,000	7.600%	27,342,000
8.25% Senior notes	300,000,000	8.250%	24,750,000
Sid Richardson Debt	0	6.000%	0
9.34% Mortgage bonds	15,000,000	9.340%	1,401,000
9.44% Mortgage (FR)	6,500,000	9.440%	614,000
7.99% Mortgage (FR)	7,000,000	7.990%	559,000
7.24% Mortgage (FR)	6,000,000	7.240%	434,000
Mortgage bonds (PR) M	817,000	10.250%	84,000
Mortgage bonds (PR) N	10,000,000	9.630%	963,000
Mortgage bonds (PR) O	12,500,000	8.460%	1,058,000
Mortgage bonds (PR) P	10,625,000	8.090%	860,000
Mortgage bonds (PR) R	15,000,000	7.500%	1,125,000
Mortgage bonds (PR) S	14,464,000	6.820%	986,000
Mortgage bonds (PR) T	13,513,000	6.500%	878,000
Other	78,000	7.000%	5,000
PEPL Sr Notes	60,623,000	6.500%	3,940,000
PEPL Sr Notes	66,305,000	7.000%	4,641,000
PEPL Sr Notes	200,000,000	4.477%	8,955,000
PEPL Sr Notes	300,000,000	4.800%	14,400,000
PEPL Sr Notes	250,000,000	6.050%	15,125,000
PEPL Sr Notes	40,500,000	8.250%	3,341,000
PEPL LNG Debt	255,626,000	4.465%	11,414,000
Total long term debt	<u>1,944,316,000</u>		<u>123,163,000</u>
Unamort debt costs-181	(3,767,000)		(1,615,828)
Unamortized debt costs - 189	(14,918,000)		799,668
Unamortized gain - 257	1,913,000		(97,000)
Net long term debt	<u>1,927,544,000</u>		<u>122,249,840</u>
EFFECTIVE INTEREST RATE		6.2875%	

7.55% Preferred Stock	230,000,000	7.55%	17,365,000
Unamortized issuance costs	(6,700,000)		0
Net preferred securities	<u>223,300,000</u>		<u>17,365,000</u>

7.777%

SOUTHERN UNION COMPANY
Cost of Capital

DTE-1-06
Schedule 2

Description	Pro Forma Amount	Capitalization Ratio	Cost Rate	Weighted Cost
Long term debt	2,807,544,000	48.78%	6.198%	3.023%
Preferred securities	223,300,000	3.88%	7.777%	0.302%
Equity Units	225,000,000	3.91%	5.417%	0.212%
Common equity	2,500,200,000	43.44%	11.500%	4.995%
Total	<u>5,756,044,000</u>	<u>100.00%</u>		<u>8.532%</u>

Description	Pro Forma Outstanding Dec. 31, 2005	Ann Int Rate	Annual Interest
7.6% Senior notes	359,765,000	7.600%	27,342,000
8.25% Senior notes	300,000,000	8.250%	24,750,000
Sid Richardson Debt	880,000,000	6.000%	52,800,000
9.34% Mortgage bonds	15,000,000	9.340%	1,401,000
9.44% Mortgage (FR)	6,500,000	9.440%	614,000
7.99% Mortgage (FR)	7,000,000	7.990%	559,000
7.24% Mortgage (FR)	6,000,000	7.240%	434,000
Mortgage bonds (PR) M	817,000	10.250%	84,000
Mortgage bonds (PR) N	10,000,000	9.630%	963,000
Mortgage bonds (PR) O	12,500,000	8.460%	1,058,000
Mortgage bonds (PR) P	10,625,000	8.090%	860,000
Mortgage bonds (PR) R	15,000,000	7.500%	1,125,000
Mortgage bonds (PR) S	14,464,000	6.820%	986,000
Mortgage bonds (PR) T	13,513,000	6.500%	878,000
Other	78,000	7.000%	5,000
PEPL Sr Notes	60,623,000	6.500%	3,940,000
PEPL Sr Notes	66,305,000	7.000%	4,641,000
PEPL Sr Notes	200,000,000	4.477%	8,955,000
PEPL Sr Notes	300,000,000	4.800%	14,400,000
PEPL Sr Notes	250,000,000	6.050%	15,125,000
PEPL Sr Notes	40,500,000	8.250%	3,341,000
PEPL LNG Debt	255,626,000	4.465%	11,414,000
Total long term debt	<u>2,824,316,000</u>		<u>175,963,000</u>
Unamort debt costs-181	(3,767,000)		(1,615,828)
Unamortized debt costs - 189	(14,918,000)		799,668
Unamortized gain - 257	1,913,000		(97,000)
Net long term debt	<u>2,807,544,000</u>		<u>175,049,840</u>
EFFECTIVE INTEREST RATE		6.1980%	

7.55% Preferred Stock	230,000,000	7.55%	17,365,000
Unamortized issuance costs	(6,700,000)		0
Net preferred securities	<u>223,300,000</u>		<u>17,365,000</u>

7.777%